

Sherrie

TO: Ken (4 Pages)

FROM: Sherrie Gibson

DATE: January 27, 1998

RE: Updated Collateral Valuation

After numerous conversations with bank personnel and corrections to bank-prepared schedules, the following is a summary of our discussions:

Compass Bank:

Due to the increased value of the collateral, the amount available to borrow (Schedule 1) is approximately \$605,000. If this amount is funded and the collateral drops belows the margin, the bank will call for additional collateral or request that payment be made to the line of credit.

NationsBank:

The Collateral Valuation Report (Schedule 2) as of today reflects that you are limited to borrow on the personal line as a result of the amount of the line of credit (although you have additional borrowing power). NationsBank is amenable to increasing your personal line of credit to \$35,000,000 with the same terms, so you can take advantage of your full borrowing power. Again, if the amount funded exceeds the required collateral, additional collateral or payment to the line of credit will be required.

The partnership's line of credit is limited by its required collateral. I suggested and the bank concurred, that the collateral on both lines of credit be cross-pledged. At your request, the bank will begin the appropriate paperwork. Hopefully by cross-pledging the assets, it will alleviate the limitation in availability to borrow.

Texas Commerce Bank:

The \$1,500,000 line of credit was opened on 9/30/97 with 30,000 shares of Compaq stock as collateral. An unsecured line of credit was not established at this time. I requested a \$250,000 - \$500,000 unsecured line of credit with an interest rate of prime-.5 (I mentioned to the bank that this is a competitive rate.) I thought that I would start the process if you were interested in establishing an unsecured line of credit. The bank will notify me within the next two days on what they can offer.

Attached is a summary of the lines of credit prepared by Sally (Schedule 3) which reflects the new information. I tried to anticipate your questions regarding these loans. Please advise me.

Thanks,
Sherrie

2/09/98
Discussed
with Howard
Williams

① Will begin
drawing up
documents.

File

② Will begin
drawing up
documents

Good

11/2
Sherrie -
Let's
do this.
1/6/98
2/7/98

LAY-G34 0689

GOVERNMENT
EXHIBIT

1037

Crim No. H-04-25 (S-2)

Page 2

Line of Credit Availability
As of 1/22/98 Revised

Enron Stock (202,237 at \$42.25)	\$8,544,513 <
Enron Oil & Gas Stock (20,000 at \$21.25)	425,000 <
Eli Lilly & Co. (10,000 at \$69.3125)	<u>693,125</u> <
TOTAL COLLATERAL	9,662,638

Margin 80%

TOTAL AVAILABLE TO BORROW	7,730,111
Less: Current Outstandings	7,124,950 <
TOTAL UNFUNDED BUT AVAILABLE	<u>\$605,161</u> rounded to <u>*605,000</u>

LAY-G34 0690

(Schedule 1)



Page 3

**Kenneth L. Lay
Collateral Valuation
January 27, 1998****\$31,000,000 Line of Credit****Outstanding Loan Balance** **\$30,799,999****Collateral currently pledged:**

675,827 shares Enron Corp.	\$27,539,950
493,784 shares Compaq Computer	\$14,690,074
10,000 shares Copytele	\$32,500
15,000 shares Air-Cure Technologies	\$178,125
0 shares Enron Global Power & Pipelines	\$0
10,000 shares Fiberchem	\$1,875
5,000 shares EOTT Energy Partners	\$92,500
85,473 shares TCW Core Equity Fund	\$1,219,700
61,566 shares TCW Mid-Cap Growth	\$610,785
17,273 shares TCW Small Cap Growth	\$309,532
40,697 shares TCW Latin American Equity	\$498,181

Total Market Value of Collateral	\$45,173,122
Less: Collateral Required (70% LTV)	<u>\$43,999,999</u>

Excess (Deficit) Collateral	\$1,173,124
Borrowing Power	\$821,186
Available to Borrow	\$200,000

\$2,750,000 Partnership Line of Credit**Outstanding Loan Balance** **\$175,000 -****Collateral currently pledged:**

30,000 shares Enron Oil & Gas	\$600,000
21,369 shares TCW Small Cap Growth	\$382,932
20,220 shares Eli Lilly & Co.	\$1,390,125
0 shares TCW Asia Pacific Equity	\$0

Total Market Value of Collateral	\$2,373,057
Less: Collateral Required (70% LTV)	<u>\$250,000</u>

Excess (Deficit) Collateral	\$2,123,057
Borrowing Power	\$1,486,140
Available to Borrow	\$1,187,575

Total Net Excess (Deficit) Collateral	\$5,017,169
Total Net Available to Borrow	\$1,387,575

I paid down
the loan with
distributions
from Park
Place Apartments

rounded to \$1,187,500

LAY-G34 0691

(Schedule 2)

Page 4

INSTITUTION	LINE	FUNDED	AVAILABLE BALANCE
<u>Compass Bank</u>	<u>\$10M</u>	\$7,124,950	\$ 605,000
Libor + 1.00		(5,035,684 investments) (1,946,866 personal) (142,400 Looscan)	
prime rate	\$500,000	\$ 500,000	\$0
	Unsecured	(personal)	
<u>Enron Corp.</u>	<u>\$4M</u>	<u>\$ 2,040,000</u>	\$1,960,000
fed. rate, changes monthly		(150,000 investments) (1,779,000 personal) (111,000 Reba)	
<u>NationsBank</u>			
Libor + .9	\$31.0M	\$30,799,999	\$ 200,000
	Non-Purpose	(12,817,242 investments) (281,423 Kingston, B/H2, Willers Way) (93,500 1741 Sul Ross) (159,633 Columbia add-on, Shady Lane) (17,448,201 personal)	
prime - .5	\$750,000	\$ 750,000	\$0
	Unsecured	(personal)	
Partnership	\$2,750,000	\$ 175,000	\$1,187,5000
Line	Non-Purpose		
Libor + .9			
<u>TCB/Chase</u>	<u>\$1.5M</u>	<u>\$1,500,000</u>	\$ 0
Libor + 1.00		(1,390,000 personal) (110,000 loan to inv. Partnership)	

1/20/98

CC: KLL
LPL
SBG

Today I have borrowed \$800,000 from the NationsBank line for expenses.

(Schedule 3)

LAY-G34 0692